Vouchers for Elementary and Secondary Education

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I. Introduction

Public concern about the condition of the schools is high and support for public education is waning. Six out of ten parents say they would send their children to private schools if they had the money.[1] Minority parents are especially concerned about the public schools with a large majority (68 percent) now in favor of more school choice.[2] These sentiments have helped to fuel a major debate about the benefits of choice as well as a number of on-going experiments with school vouchers.

In this chapter, we examine the issue of using vouchers to pay for elementary and secondary education in the United States. We begin with a review of the history of school choice in the U.S. and the arguments commonly made both for and against vouchers in that context. We describe some of the major choice proposals that have been advanced recently at the federal, state, and local levels. It will be clear from this exercise that vouchers, as applied to education, can take many forms. The devil is, as always, in the details -- a point that both sides in the debate seem to have forgotten in their haste to either endorse or condemn the basic idea of choice as a tool for improving children's education. By focusing on some of these details, we hope to show that vouchers are a flexible tool that can be bent to a variety of political or substantive purposes. Once such purposes are well-defined, vouchers can be designed around them. However, there is always the possibility that what is politically feasible will turn out to be less than fully effective in programmatic terms. For this reason, the chapter also examines what kinds of choice plans have actually been adopted (not simply proposed), and how they have worked in practice. It concludes

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[1]Shenk (1996), p. 9. Shenk cites data from the Public Agenda polling firm.

[2]Rose, Gallup, and Elam (1997).

with some more general comments on vouchers as a tool of public policy.

II. The History of The Debate About School Choice

Proponents of school choice can point to a long history of intellectual support for the idea that parents should be able to choose the schools that their children attend. From the beginning, Americans were intent on maximizing individual freedom and limiting the power of the state. John Stuart Mill, the English philosopher, understood that a democracy required an educated citizenry but also one that was not subjected to a state-controlled curriculum. In the end, he said, the state "might leave to parents to obtain the education where and how they pleased, and content itself with helping to pay the school fees."[3] Thomas Paine, among others, agreed; but no consensus among the founders existed on this issue.

The Constitution remained silent on the issue of how education was to be organized in the United States, implicitly leaving such decisions to the states. What evolved, of course, were schools that were not just publicly financed but also publicly run. From the beginning, however, there were exceptions. Maine and Vermont, for example, have both offered vouchers for many years to students living in remote rural areas. These vouchers may be used at any institution, public or private, secular or religious, although the courts have challenged the eligibility of religious schools in recent decades.[4] These exceptions for students living in sparsely settled areas were made for pragmatic reasons and in no way challenged what became the dominant public philosophy in the United States -- a philosophy in which public schools were viewed as places that

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[3]As cited in Peterson (1995), p. 219. This section of the chapter owes much to two excellent historical essays, one by Peterson and the other by Henig (1994).

[4]"School Choice Showdown" (1998), and Shokraii and Youssef (1998).

would bring together children from diverse backgrounds, teach democratic values, provide opportunities for upward mobility, and help newcomers assimilate to the American way of life.[5] This vision of the public school as an incubator of democratic values and practices remains strong to this day.[6]

It was not until the 1950s, when the economist, Milton Friedman, first published an essay on school vouchers, that the idea of choice gained intellectual heft. Choice proponents, such as Friedman, do not dispute the idea that education is a public good which society should pay for but, like Mill, they question why that good should be publicly produced. As Friedman notes,

> "Governments could require a minimum level of education which they could finance by giving parents vouchers redeemable for a specified maximum sum per child per year if spent on 'approved' educational services. Parents would then be free to spend this sum and any additional sum on purchasing educational services from an 'approved' institution of their own choice. The educational services could be rendered by private enterprises operated for profit, or by non-profit institutions of various kinds. The role of government would be limited to assuring that schools met certain minimum standards such as the inclusion of a minimum content in their programs, much as it now inspects restaurants to assure that they maintain minimum sanitary standards."[7]

In a free and competitive education market, according to this argument, schools that produce a desirable product will thrive while those that produce a less than desirable product will drop out of the market, allowing more adaptable, innovative, and cost-efficient schools to take their places. Not only will schools be forced to improve, families will be able to choose from a

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[5] This philosophy was most strongly articulated by Horace Mann and John Dewey in the nineteenth century. However, as Paul Peterson notes in his review of the historical tension between libertarian ideals and the Hegelian arguments espoused by Dewey, the Supreme Court has tended to uphold the rights of parents against those of the state. The Court has struck down laws compelling children to attend only public schools, to salute the flag, or to comply with compulsory school laws when (as in the case of the Amish) this conflicts with their religious beliefs. Peterson (1995), p. 223.

[6] See, for example, Henig (1994) and Gutmann (1987).

[7] Friedman (1955), p. 127

variety of programs that may be more suited to their child's interests or learning style than the "one-size-fits-all" public schools. As in markets for most other commodities, parents will hold teachers and administrators directly accountable by their freedom to choose alternative providers. Advocates of choice contrast this to the current system in which schools operate as a public monopoly. And, as with any monopoly, there is the risk that too little will be produced, prices will be inflated, and the industry itself (teachers, administrators, and government bureaucrats) will benefit at the expense of parents and students. Public monopolies are, of course, subject to public regulation which is supposed to prevent such abuses, while permitting certain efficiencies associated with larger-scale operation. But, in practice, the regulators are often captured by those they are supposed to oversee. School boards, for example, may pay too much attention to teachers unions and not enough to the welfare of children.

Initially, these market-based arguments were anathema to those on the political left, but in the late 1960s, some progressives decided that vouchers could be turned to more liberal purposes. Under contract to the U.S. Office of Economic Opportunity (OEO), Christopher Jencks and his colleagues at the Harvard School of Public Education designed a voucher proposal that involved varying the size of the voucher with parental income, prohibiting parents from supplementing this amount, and requiring schools both to accept students on a random basis and to maintain racial and socioeconomic balance.

Despite its promotion and funding by the OEO, only one school district in the U.S. -- Alum Rock, California -- was willing to test the Jencks idea. And by the time it was implemented, various local constituencies had insisted on a variety of limitations, such as job protection for teachers and no participation by private schools. When federal funding ceased in 1976, the district

discontinued the program. Not surprisingly given the limitations under which it had to operate, an evaluation of the experiment by the RAND Corporation found that it had produced mediocre results at best.[8]

After the disappointing results in Alum Rock, interest in school choice waned. It was not until Ronald Reagan became President in 1981 that vouchers resurfaced on the policy agenda. The choice concept was consistent with Reagan's free market ideas but choice legislation failed three times during his tenure.[9]

In 1990, the idea of school choice got a new boost from the publication of John Chubb and Terry Moe's *Politics, Markets, and America's Schools*. While Friedman had emphasized the economic arguments for using markets to deliver educational services, Chubb and Moe focused more on the political environment affecting the current system. They argue that the central problem is the subordination of the schools to democratic political authority which, in turn, has spawned a bureaucracy whose interests are not the same as those of parents and students. To break the hold of the bureaucracy, they advocate a universal choice program that would include all existing schools.[10]

By the early 1990s, voucher advocates had discovered a new ally in the battle for school choice: inner city minorities frustrated by unsuccessful attempts to reform the public schools.

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[8]Capell and Doscher (1981). The study of student outcomes in the Alum Rock district found "no appreciable differences" in reading achievement between students in regular and choice schools at the end of the three year program.

[9]Henig (1994), p. 71-72.

[10]Chubb and Moe (1990), p. 219-225. Each school district would organize a central office to provide parental information and administer the vouchers. All students in the same state would receive the same voucher amount and the voucher would be financed through a progressive state tax system in which richer districts would pay more than poorer districts. Individual parents would not be allowed to supplement the state voucher, but if a community decided collectively that it wanted to increase the amount, it could levy a local tax for that purpose. Schools would be allowed to admit students as they choose, subject only to anti-discrimination laws.

What is particularly interesting about this alliance is an earlier history in which public school choice plans were adopted in most southern states (and private school choice in four of them) as a way around the Supreme Court's *Brown v. Board of Education* decision in 1954. These laws were struck down by the federal courts on the grounds that they hindered desegregation. Later, when de jure segregation was followed by de facto segregation in most large cities in the country, school choice took another twist: the creation of magnet schools that became vehicles for stemming white flight and encouraging voluntary integration through parental choice within the public school system. As this history suggests, choice can be a vehicle for creating a racially segregated school system or a vehicle for encouraging integration, depending on the form it takes. Many present-day opponents of choice, however, fear that it will produce greater segregation unless special steps are taken to maintain racial balance while proponents note the high degree of segregation that already exists since school assignment is so closely tied to residential location.

In fact, most parents already have a choice of schools because they are able to choose where they live. It is mainly the poor, and especially the minority poor, whose children are locked into low performing neighborhood schools. They can neither afford to move nor to send their children to private schools and may face discrimination in the housing market as well. By proposing to target vouchers on this group of low-income parents in the 1990s, advocates have begun to appeal to a broader constituency that believes a chance to send your child to a decent school is every American's birthright. In response to the argument that choice will merely lift a few motivated and talented students out of failing schools and leave the others behind, advocates decry the alternative of doing nothing. They prefer an immediate solution for a small population to a long process of reforming the public schools that, if it happens at all, will not affect the students

trapped in the existing system today. For those concerned about existing fiscal inequities, vouchers could even become a vehicle for equalizing spending per child in a country where educational investments have traditionally depended heavily on the wealth of one's neighbors.

Although support for education vouchers seems to be growing,[11] opponents continue to make a number of strong arguments against them. They note that parents, especially the most disadvantaged, lack the information and the ability to make wise choices, and are likely to be overly influenced by such factors as the convenience of a school, frivolous or pedagogically questionable course offerings, and the degree to which the school is supportive of their own religion or ideology. They further note that there is no guarantee that the supply of schools (either their quality or quantity) will respond to the new demand, leaving students with few good options in practice. Many also believe that the neighborhood school in which everyone participates and everyone has a stake is itself a public good in a democracy.[12] And finally, they note that choice is hardly a panacea for the very serious problems that currently afflict the schools and argue that a preoccupation with market solutions will divert resources and political energy from fixing the existing public schools. As John Witte notes:

> "Decentralization and choice are not panaceas for solving the complex and very serious problems that affect overall achievement and inequity of achievement in the most problematic public school districts. To trumpet these policies as the road to salvation... could seriously damage the viability of both concepts."[13]

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[11]Support for allowing students to choose a private school at public expense has grown from 24 percent to 44 percent between 1993 and 1997. Rose, Gallup, and Elam (1997).

[12]The local school is the centerpiece of many communities, especially in rural and inner-city neighborhoods. In inner-cities that have lost most services and industries, local schools are one of the few remaining "symbols of local order." A school choice program that would allow students to leave the neighborhood to attend school may decrease the importance of the community school and further alienate the residents of the neighborhood. Ehrenhalt (1996).

[13]Clune and Witte (1990), vol. 1, p. 43.

A common theme of all these arguments against choice is the possibility that choice in practice will be quite different than choice in theory. As the Alum Rock episode illustrates, however, it is often the politics surrounding school choice that inhibit its being given a true test in practice. In the next section, we review a variety of choice proposals, including many that are now being implemented on a limited scale in various cities around the country.

III. Recent Choice Proposals

Proposals to provide parents a choice of schools have proliferated over the past decade. Although our focus is on those that offer parents funds to send their children to any school, public or private, it should be noted that choice can also exist within the public sector. Public school choice was first introduced in Minnesota in 1988[14] and is now available in 15 states as well as in some individual districts (e.g., Cambridge, Mass.).[15] Magnet schools and charter schools have further extended parental choice. Magnet schools exist in most large cities, and are usually organized around an educational theme (e.g, science or the arts) and receive extra resources that enable them to attract a diverse student body from a wide area. Charter schools are public schools that have been approved by, and are accountable to, state education authorities but are not required to comply with most of the rules that govern regular public schools. By the fall of 1998, 33 states and the District of Columbia permitted the establishment of charter schools, approximately 1,200 schools were operating, and 166,000 students were attending.[16] These

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[14]Malone, Nathan, and Sedio (1993), p. 4.

[15]Shokraii and Youssef (1998).

[16]US Charter Schools web site, Overview of Charter Schools, National Statistics, http://www.uscharterschools.org/gen_info/gi_main.htm#Statistics, accessed on 8/4/98. Center for Education Reform, Charter Schools Stats-at-a-Glance web site, http://www.edreform.com/pubs/chglance.htm, accessed on 8/4/98.

experiments with choice within the public sector can shed further light on how choice works in practice, but must be considered more limited or constrained versions of the voucher idea in its purest form.[17] Although magnet and charter schools end up providing parents with additional options, they do so more by expanding the supply of publicly-controlled schools than by directly empowering parents with the funds which would allow them to purchase education from a still wider array of existing providers.

A. Federal

Most federal proposals for school choice have sought to allocate funds to local choice efforts and demonstration projects. Though proposals during the Reagan and Bush administrations usually did not reach the floor of Congress, support for choice bills has been steadily growing throughout the 1990's.[18]

In 1996, presidential candidate Bob Dole strongly endorsed school choice during his campaign and proposed a joint state-federal initiative of private school vouchers for low and middle-income students. The program allocated $3 billion a year for demonstration projects in eighteen states that were willing to match the federal scholarship.[19] In response to public support

[17]For further analysis of the differences between vouchers and charter schools, see Hassel (1998). As he notes, private schools, unlike charters, can set their own admission standards, can charge tuition, are less accountable to public authorities, and may be affiliated with religious institutions. However, as we emphasize in section III below, these two types of choice can easily merge, depending on the particular design of a voucher program.

[18]During his presidency, Bush endorsed three proposals: the Excellence in Education Act, which allotted $230 million to fund choice scholarships and experiments in 1989; America 2000, a virtually identical program, in 1991; and the GI Bill for Children, a $500 million program of $1,000 scholarships for middle and low-income students to attend the public, private, or religious school of their choice, in 1992. Bush (1990, 1991).

[19]Passell (1996), section 4A p. 20. Though Dole said the program was for low and middle income students, his proposal did not require that states use an income measure in determining scholarship recipients. The proposal provided $500 to elementary students and $750 to high school students to pay for tuition at any private school

for the Dole plan, President Clinton advocated public school choice as a compromise to his constituency of parents, especially minority and urban parents, desiring school choice and teachers unions who staunchly oppose the rerouting of public money to private schools.[20]

In 1998, the Congress passed, and the president vetoed, the "A+ Accounts" Bill, sponsored by Senator Paul Coverdell (R-GA), which would have allowed families with incomes below $95,000 to establish tax-free savings accounts of up to $2,000 per child to cover primary and secondary educational expenses.[21]

Another choice proposal, this one targeted on the District of Columbia, was also passed in 1998 and vetoed by the President. The District of Columbia Student Opportunity Scholarship would have allowed low-income public school students in Washington attend any accredited school (public, private, independent, or parochial) in the District of Columbia or specified areas in nearby Virginia and Maryland. The vouchers would have covered the cost of tuition, fees, and transportation to school, not exceeding $3,200 in 1998, and students were permitted to supplement the voucher in order to attend more expensive schools. A *Washington Post* poll taken during the week before Clinton vetoed the bill found that 56 percent of all District residents and 67 percent of the parents of public school children favored federally funded vouchers for the District of Columbia.[22]

B. State

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[20]Peterson (1998), p. 8.

[21]Alvarez (1998) and Coverdell (1998). The savings could be used for items such as home computers, tutoring, uniforms, transportation, or tuition at private schools.

[22]From S. 1502, 105th Congress, passed 11/9/97. This proposal expanded upon a previously unsuccessful H.Amdt. 891 (to H.R. 2546, appropriations bill for DC government) proposed by Gunderson on 11/2/95 to offer scholarships to poor residents of DC to use at private school. See also Horwitz (1998).

In 1992, the State of Colorado introduced a constitutional amendment to provide private school choice to all students. This universal program, which did not pass, would have granted vouchers to students for any educational option, including home schooling. Since the proposal set the voucher amount as a percentage of district per-pupil spending, large variations in vouchers would have existed between districts.[23]

In 1993, California voters overwhelmingly defeated Proposition 174, another universal tuition voucher proposal. Unlike the proposed Colorado voucher, this voucher would have been a percentage of state and district per-pupil spending, and therefore, more similar for all students. The initiative would have permitted parents to supplement the voucher, however, and many critics feared the inequalities they believed would result.[24] Politically, it received weak support from business leaders and Republicans while being strongly opposed by the much better organized teachers' union.[25]

The State of Arizona has devised still another variant on a choice program that doesn't involve vouchers at all. The state passed a law in early 1997 to grant income tax credits of up to $500 to those who donate money to non-profit choice scholarship programs. Although some critics have called it a "back-door voucher scheme," it does not directly reimburse parents who

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[23]Colorado State Legislature (1992). The amendment included no provision for information or transportation and no variation in subsidy level due to student need.

[24]Shires, et al. (1994), p. 2-3 and Robinson (1993), p. 10-11. The voucher would equal approximately $2,600 per student, religious and single-sex schools were acceptable under the law, the legislation restricted the ability of the state legislature to regulate private schools after passage of the initiative.

[25]Lieberman (1994). Lieberman quotes the head of the California Teacher's Union, explaining why they fought against allowing it to even go on the ballot, as saying: "There are some proposals that are so evil that they should never even be presented to the voters. We do not believe, for example, that we should hold an election on 'empowering' the Ku Klux Klan. And we would not think it's 'undemocratic' to oppose voting on legalizing child prostitution. Destroying public education, in our view, belongs in the same category." (p. 29)

send their children to private schools.[26]

Finally, families in Minnesota have been able to deduct education costs such as private school tuition, transportation, and extracurricular expenses from their taxable income since 1983, and as of June 1997, those with incomes below $33,500 may obtain a tax credit for certain school expenses (excluding private school tuition) up to $1,000 per child or $2,000 per family each year.[27]

C. Local

These federal and state initiatives are only the tip of a swiftly moving iceberg. It is at the local level that choice plans have proliferated most rapidly. The best-known school choice plan in the nation began in Milwaukee, Wisconsin in 1990. Targeted on public school students whose incomes are less than 175% of the poverty line, the state-funded program granted $4,700 to each student in 1997-98 to pay for tuition at private, non-sectarian schools. Eligible applicants are selected randomly into oversubscribed schools, and until 1998, only 1.5 percent of the total Milwaukee Public School population could participate.[28] Though the state legislature voted to expand the program to religious schools and to 15,000 students (15% of district enrollment) in 1995, a contentious court battle questioning the constitutionality of the program delayed its implementation until the fall of 1998.[29]

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[26]Parents may not use the tax-credit if their contribution is for "the direct benefit of their children." Schnaiberg (1997).

[27]"Minnesota Education Credit" (1997).

[28]Peterson (1998), p. 14-15.

[29]Changes to the Milwaukee program were stalled until the court's decision was final. In 1996, the Wisconsin Supreme Court was undecided on the constitutionality of the plan (the vote was 3-3 with one judge abstaining) and the case was sent back to the lower courts. Two lower courts ruled the plan unconstitutional and the case returned to the Wisconsin Supreme Court in March 1998, where the judges voted 4-2 to uphold the law. Justice Roland Day, who had

Another notable choice program was established in Cleveland, Ohio in 1996. It provides sliding scale scholarships of up to $2,500 for students to attend both religious and secular private schools.[30] The scholarship, funded by the State of Ohio, can be used to cover up to 90 percent of tuition at a private school with parents providing the difference.[31] The legality of the program was challenged in court immediately, and is still unsettled, but it has been allowed to operate during the court process.[32]

The first program in the wave of recent voucher experiments to be implemented with local, public funds was unanimously approved by the Southeast Delco School Board of Delaware County, Pennsylvania in March 1998. The vouchers of $500 for grades 1-8 and $1,000 for grades 9-12 will reimburse parents who already send or wish to send their children to private schools. The design of this program resembles those in rural Maine and Vermont towns.[33]

D. Private

Many private philanthropic organizations have initiated scholarship programs in cities around the country, including Indianapolis, Milwaukee, Albany, New York City, and Washington,

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voted against the constitutionality of religious school vouchers in 1996, had been replaced by Justice Patrick Crooks, who voted with the majority in 1998. Bice (1998), p. A1 and Walsh (1998).

[30]Students with incomes of less than 200% of the poverty line receive $2,500 and those with incomes greater than 200% of the poverty line receive $1,875. Though any students in grades K-4 may apply for one of the 2000 available scholarships, preferences are given to students with incomes below the poverty line and students currently attending public schools.

[31]Greene, Howell, and Peterson (1998), p. 359.

[32]The plan was ruled unconstitutional by the Ohio appeals court in May 1997 based on the argument that the vouchers were a non-neutral government benefit that encourage attendance in religious schools (Walsh (1997)). The state is appealing the decision in the Ohio Supreme Court, and the case was heard in spring 1998, decision is pending (Reinhard (1997)).

[33]Archer (1998) and Smith (1998), p. 6.

DC. The details of these programs are described in Appendix B and in Table 1, adapted from Paul Peterson's excellent summary in *Learning from School Choice.* Note that virtually all of the current choice plans are targeted on lower-income families, permit attendance at religious schools, provide relatively low subsidies, and cover only a small fraction of all public school students in the cities where they are located.

IV. Assessing the Debate: the Devil is in the Details

Much of the political debate about school choice occurs in a vacuum in which exactly what is meant by school choice is never clearly defined. The common assumption is that education will be publicly financed with the funds flowing directly to parents who would then be free to use them at the school of their choice.[34]

Left undefined by most contemporary discussions of vouchers, however, are a whole host of questions about which families will be eligible to participate, which schools can qualify for the vouchers, how students will be admitted to schools, what level of public subsidy will be provided, how that subsidy will vary (if at all) by location or need of the student, and what kind of information will be made available to parents. Yet it is impossible to assess a school choice plan without knowing the answers to these and related questions. Some of the key issues that must be resolved in designing a school choice plan are described below.

A. Student Eligibility

Two major variants of a choice plan have been widely discussed: a universal program and

[34]As originally proposed by Milton Friedman, every parent would receive a voucher equal in value to the current cost of educating a child in the public schools (or a little less since the vouchers would have to cover those currently attending private schools as well). Parents would then use the vouchers to enroll their children in any school -- public or private -- and in any district, city, or state -- that was willing to accept their child. Friedman and Friedman (1980), p. 160-161.

one targeted toward low-income families. A universal choice plan, such as that proposed by Friedman, would provide subsidies to all parents of school-age children, including those who are currently enrolled in private schools, and would thus extend subsidies to the 11 percent of all children whose education is now privately financed. Alternatively, eligibility for a voucher could be made conditional on income. Because most middle class and affluent parents can afford to either pay for private school or move to a neighborhood with public schools more to their liking, and because inner city schools are believed to be particularly deficient, a number of proposals and on-going demonstrations have, as we have seen, focused on lower-income families. There is likely to be continuing debate, however, about whether to provide subsidies to all parents or whether to target subsidies on lower-income families only. Some current proposals would subsidize education through the tax system and would be regressive in their impact since only families with sufficient incomes to owe taxes would benefit.[35]

Some geographic targeting would also be possible. A subsidy that favored big-city schools, or jurisdictions with low tax bases, over others might become a central element in a new urban agenda. This would give middle-class families with school-age children a reason to remain in the city and help to curb the abandonment of cities by everyone who is not rich, poor, or old.

Whatever the basis for targeting any new voucher plan, one reason that such targeting may be desirable is because without it, private school capacity is unlikely to expand to meet the new demand -- at least in the short run.

B. School Eligibility

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[35]See Coverdell "A+ Accounts" (discussed previously). The Treasury estimates that 70 percent of the savings would go to those in the top income quintile and the Joint Committee on Taxation asserted that half the savings would go to families whose children attend private school anyway. "Wrong Way on Education" (1998).

Many fear that vouchers would encourage the establishment of schools that foster a particular religious or ideological agenda, or that offer undemanding curricula or other activities that may appeal to parents and students but are clearly not in the public interest. It's unlikely, however, that a voucher plan would operate without some government oversight. As Paul Peterson puts it, "No reasonable person can believe the American public would routinely turn over school dollars to extremist groups any more than it will allow airlines to fly unregulated or meat to be marketed without inspection."[36]

Nearly 80 percent of all private schools in the United States are church-affiliated.[37] This raises concerns about whether educational vouchers would conflict with the first amendment's separation of church and state. If the courts should decide that religious schools cannot qualify for public subsidies, then the eligible pool of existing, nonsectarian private schools would be extremely small. If, on the other hand, religious schools are eligible, parents would have a much broader range of choices. Advocates of choice argue that because subsidies go directly to parents rather than to schools, church-state separation should not be an issue. They also point to the GI Bill which allows veterans to use vouchers to attend any type of university, to child care subsidies that can be used for church-based programs, or to the new charitable choice provision in the 1996 welfare bill that permits religiously affiliated organizations to provide services to welfare recipients. But many state constitutions contain stricter separation of church and state clauses than the US Constitution. Thus, court challenges have bedeviled attempts to establish choice plans in Milwaukee, Cleveland, and other areas and may not be resolved any time soon. (See footnotes

[36]Peterson (1998), p. 24.

[37]Bobbit, Broughman, and Gruber (1995), p. 4.

29 and 32 for summaries of legal issues.)

Another issue is what kind of standards schools must meet to qualify for vouchers and how this will be monitored. Experience with the Pell grant program has shown that private operators running vocational programs can be quite unscrupulous about taking money from unsuspecting clients who get little of value in return.[38] Recent scandals in the home health care field tell a similar story. Thus, the need for some kind of standards or monitoring of performance would seem to be essential. This could take the form of detailed regulation of inputs but this might only succeed in duplicating the worst features of the current system. A second possibility would be to combine a much less prescriptive regulatory regime with some monitoring of outcomes achieved, a process that is now being used with the many charter schools springing up around the country. Finally, one could rely on private accreditation by respected professional groups combined with some parental monitoring, a system that seems to work reasonably well for current private schools and institutions of higher education. But as long as there are substantial public monies involved, there will be concerns about accountability and a fear that parents may not exercise sufficient vigilance, especially if their own funds are not at risk. A set of nationally agreed content and performance standards could, of course, go a long way toward resolving this dilemma. It would permit schools to be freed from regulatory burdens as long as their students were performing satisfactorily or making progress toward achieving the standards.

C. Admissions

A major concern of choice opponents is their fear that schools will become much more segregated by class, race, or ability. This can occur for two reasons. First, because more

[38]General Accounting Office (1996) and General Accounting Office (1997).

advantaged parents are the most likely to take advantage of a choice plan and apply for a voucher (selective application rates). And second, because if schools are allowed to choose students, they will select the most able (selective acceptance rates). Either alone could produce more sorting of students; both together almost certainly will. The available empirical evidence suggests that both phenomena are important.[39] A number of studies have shown that, given a choice, well-educated, affluent parents are more likely to move their children to better schools while less advantaged parents are more likely to value the convenience of a neighborhood school. And although schools may attempt to diversify their student bodies somewhat, given an oversupply of applications, they are almost sure to choose the best students whether defined by academic ability, lack of handicapping conditions, leadership potential, or some other set of criteria.

The impact of such resorting on academic performance is not clear, a priori. The children who move to a new school are usually presumed to benefit from the experience while those who are left behind are presumed to lose out as their more able or motivated classmates move on. However, these so-called peer effects -- that is, the tendency of individual academic performance to vary with the composition of the group -- are not well documented.[40] Whatever its ultimate effects on school achievement, such segregation may be inconsistent with democratic ideals that

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[39]For example, a survey of children in grades three through twelve in 1993 found that 20 percent were attending schools chosen by their parents (11 percent were in public schools; 9 percent in private schools) and that these parents were disproportionately well-educated and affluent. However, somewhat surprisingly, black parents and those living in urban areas were more likely to choose their child's school than whites or those in nonurban areas. (NCES (1995)). Maureen Allenberg Petronio's 1996 study of Cambridge, Massachusetts' controlled choice program found that minority and low-income parents were more likely to select neighborhood schools than nonminority or more affluent ones. David Armor and Brett Peiser's 1998 study of interdistrict choice in Massachusetts found that choice families were whiter, had higher SES, and higher-achieving children than nonchoice families. (Armor and Peiser (1998)).

[40]For an interesting discussion, see Peterson (1998), p. 26-28. He points out that critics of choice plans worry that more privileged families will leave the public schools, that children learn from their peers, and that inner-city schools contain many middle class students who have a positive influence or their less advantaged peers and then goes on to argue that none of these assumptions is well supported by the data. Also see Jencks and Mayer (1990).

place a high premium on the kind of class and race-based integration that allegedly occurs in the best public schools. We say "allegedly" because the reality is that residential segregation now forces a large number of children to attend schools in which there is little mixing of this sort.[41]

But assuming for the moment that greater segregation by income, race, or ability would likely occur, it is possible to design a choice plan that minimizes its extent. First of all, parents can be required to make an explicit choice of schools through a formal enrollment process in which their choices are carefully delineated and explained and in which attendance at a neighborhood school is simply one option. This would help to counter the tendency of poorly-educated or motivated parents to leave their children in existing schools. Second, participating schools might be required to take all or a portion of their students based on a lottery or to use an admissions process that, at a minimum, preserved some kind of racial balance. In New York City, for example, magnet high schools are allowed to select some of their students but must take others on an assigned basis. Minnesota's open enrollment policy allows students to attend any public school in the state, provided that their transfer does not upset the racial balance of the school they are leaving or moving into. Similarly, Cambridge's program requires each school to be racially balanced.

This issue of admissions standards is obviously a critical one. Too regimented a system that attempted to closely control the selection process (by, for example, imposing a lottery system on participating schools) could have a chilling effect on the number of existing or new schools

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[41]In 1993, the minority proportion in central-city public schools was over 80 percent in Boston, Chicago, Dallas, Detroit, Houston, Los Angeles, New York, and Washington. (Peterson (1998), p. 13). More recent data published by Gary Orfield and the National School Boards Association show that racial segregation has not declined and may be getting worse in the 1990's. 60 percent of all minority students in public schools attend a predominantly minority school. (NCES (1996), p. 4-6.) Segregation is worst in Northeastern cities, where 50 percent of blacks students and 50 percent of Hispanic students attend schools that are over 90 percent minority. (Schmidt (1994).)

willing to participate in a choice plan. But in the absence of any rules or constraints, the worst fears of the opponents of choice could well materialize.

D. Subsidy Level

Average per pupil spending for public elementary and secondary education in 1993-94 was $6,492. Average private school tuition was $3,116 in the same academic year.[42] The variation of expenditures within each category is wide. Per pupil spending in public schools ranged from lows of $3,439 in Utah and $3,660 in Mississippi to highs of $9,677 in New Jersey and $9,175 in New York. Catholic school tuition during that year was only $2,178, while tuition at non-Catholic religious schools was $2,915 and at non-sectarian private schools, was $6,631.[43] Private school tuition is kept low by competition from a zero-priced alternative in the public sector and by the willingness of many religious groups, most notably the Catholic church, to subsidize education. The result is that most choice plans have been able to offer relatively low subsidy amounts that are well below public school levels but still cover most or all of the cost of the typical private school. The marginal cost of enticing new entrants may well be considerably higher than current averages suggest, but is still not likely to be above current per pupil costs for public education.

The biggest issue in designing a choice plan is not so much the level of the subsidy as how that level should vary by location or student characteristics. A national or state-wide choice plan that was linked to average per pupil spending in the public schools as a whole but did not take into account the enormous variation in spending per pupil across districts and states would

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[42]US Department of Education (1997). Public school figure from table 169, p. 172, in current expenditures. Private school figure is from table 61, p. 72. The private school figure is the most recent available. Public school current expenditure per pupil in 1996-97 was $6564 in 1997 dollars.

[43]US Department of Education (1997), table 168, p. 171. All figures in 1993-94 dollars. Also see Table 3.

immediately create large numbers of potential winners and losers and would likely be politically dead on arrival. But a system that was linked to current district disparities would recreate all of the inequities that plague the current system of school finance in the United States, would be open to court challenge, and would encourage new private schools to locate in districts that already spend a lot per pupil. One way out of this dilemma would be to set a uniform subsidy rate (adjusted for geographic differences in educational costs) but at a level that was below spending in even the poorest public school districts. However, this might discourage new schools from forming and would likely require supplementation by parents (and create greater selection effects of the kind discussed in the last section). A possible compromise would be to set the subsidy level in such a way that it helped to equalize spending across districts but didn't go all the way toward setting a nationally uniform level.[44] Such a compromise could lead to interesting new political coalitions in which liberals who have long espoused more equal spending on education made common cause with those conservatives who advocate choice.

An equally difficult issue is whether the subsidy level should vary with student characteristics. Just as Title I education funds are intended to compensate poorer school districts with educationally disadvantaged students, vouchers could be designed to provide more of a subsidy to these same students. Disabled students or those for whom English is a second language could be similarly helped. This would make such students more attractive to whatever school they attended and offset some of the inevitable sorting effects described earlier. However, it would also greatly complicate the administration of the subsidies and some inequities would undoubtedly

[44]It should be noted that two-thirds of the variance in spending across school districts is due to the variance across rather than within states. Some of this variance -- but only a small amount -- is related to differences in the cost of living in different areas. See Evans, Murray and Schwab (1997).

remain.

A final question is whether subsidies should vary with student performance. Too often in discussions of education, the role of student effort is forgotten. Yet students are not empty vessels into which more education can be poured; they must be involved in the process. The recent ending of social promotion in Chicago, for example, appears to have boosted test scores there. This suggests that some consideration might be given to basing voucher amounts on student academic gains as measured on an objective test during the preceding school year.

E. Information and Counseling

A common criticism of vouchers is that they require parents to be informed consumers of education, even though most parents have neither the time, the ability, nor the information that would enable them to make good assessments of their alternatives. The problem is likely to be most severe for parents with the least education. Thus, information about choice schools will become increasingly important if vouchers become more widely available.

Currently, information exchange between schools and parents is sparse. A recent study found that few parents believe their child's school does "very well" at communicating with them about anything except their child's academic progress.[45] This will likely change in a free choice world, when all schools will have to market themselves to potential buyers, and maintain enrollment through better communication with parents.[46] For some schools, the temptation to

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[45]Vaden-Kiernan and Chandler (1996), p. 3. Items surveyed included "helped parents understand what children at their child's age are like," "provided information about why their child was placed in particular groups or classes," "helped them help their child learn at home," "provided information about how to help with homework," and "provided information about community services."

[46]Private schools already engage in these sorts of activities. Private school parents are more likely than public school parents to report that their children's schools do a good job of keeping parents informed of school affairs. Vaden-Kiernan and Chandler (1996), p. 5.

present misleading or exaggerated information will be strong.

Because good information is important to making a voucher program work, and because schools themselves may not provide unbiased or comparable data on their programs, public information and counseling is likely to be needed. From the beginning, scholars such as Chubb and Moe have argued that centralized information is essential in any large voucher program.[47] Even with such information available, there is no guarantee that most parents will use it to guide their choices.

Finally, even with free government information, it will be difficult to accurately compare diverse schools without a common measure of student success. Most parents will have a difficult time comparing School A, a back to basics program that assigns nightly homework and bases grades on weekly tests, to School B, a progressive school that encourages new forms of learning and evaluates students on a broader set of criteria. Any parent quickly understands, however, that if School B's students experience more rapid gains on a national reading assessment, it probably has a better program than School A. A system of national standards backed up by national assessments, would make such comparisons possible. Standards and assessments would also make detailed monitoring or regulation of individual schools less necessary while preserving accountability for the expenditure of public funds.

F. Transportation

Public schools, unlike private schools, spend a significant amount of money for transportation. In 1994-95, the average yearly cost of transporting a student to and from school was $417 and 58 percent of all public school students relied on such subsidized transportation to

[47]Chubb and Moe (1990), p. 221.

get to school.[48] The transportation issue has not gained much attention yet, as most voucher experiments are operating in large cities that have good public transportation systems. A study of the Cleveland voucher program, however, found that the most frequently cited reason that students declined to participate after being awarded a scholarship was lack of transportation.[49] If voucher programs expand to cover larger geographic areas, it may become a major issue, and lack of transportation funding could diminish the potential of vouchers to provide more opportunities for disadvantaged children to attend better schools.

G. Two Choice Plans Illustrated

Using all of the above program elements as building blocks, one can design an almost infinite number of choice plans. In Table 2, we illustrate just two such plans. The first one, described in column one of the table, is a more conservative plan that is low cost, emphasizes individual (student and parent) responsibility, and calls for minimal government regulation. The second one, described in column two, is a more liberal plan that is higher cost, emphasizes compensatory funding of education for the disadvantaged, education standards, public accountability, strict separation of church and state, and the achievement of racial balance. Clearly, any number of variations on these two plans exists. The point is that they bear about as much resemblance to each other as either one does to the existing public school system.

V. The Evidence on Effectiveness

After all is said and done, the allure of choice plans is their promise to improve educational

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[48]US Department of Education (1997), p.64, table 51.

[49]Greene, Howell, and Peterson (1998), p. 369. This was the most important reason among families who were aware they had been awarded a scholarship.

performance, especially among the most disadvantaged. Whether vouchers can do this or not remains controversial. And as the last section has emphasized, their impact may very much depend on the particular version of choice that is designed and implemented.

There are three bodies of evidence with which to evaluate the potential of choice to improve performance. The first is studies that have compared the effectiveness of public and private schools. The second is evaluations of actual choice plans. And the third is studies that have looked at the effects of competition on public school performance. We consider each of these in turn.

A. The Effectiveness of Public vs. Private Schools

Interest in school choice has been fueled by a perception that private schools educate children more effectively and at lower cost than their public counterparts so it is worth looking at the dimensions of the private school sector in the U.S. and the extent to which it is or is not outperforming the public schools.

About one quarter of all elementary and secondary schools in the U.S. are private, but because they tend to be small, they enroll only 11 percent of all students. Most (79 percent) are religiously affiliated and one third of all private schools are sponsored by the Catholic church. Although many of these schools serve poor, minority families in the inner city, private schools have student bodies that are, on average, more affluent and less minority than is the case for the public schools.[50] Private schools are extremely heterogeneous, including the elite boarding schools in New England that have long been training grounds for Ivy League colleges, schools serving the

[50]Four percent of private school students receive free or reduced price lunches, while 29 percent of public school students do. In addition, 46 percent of private schools enroll less than 5 percent minority students. Cookson (1997), p. 23.

handicapped or children with behavior problems, parochial schools located in urban neighborhoods, schools with experimental or progressive educational philosophies, and a rapidly growing number of Christian Evangelical schools. Tuition can vary greatly as well, from $1,628 for Catholic elementary schools to $9,525 for non-sectarian secondary schools. As noted earlier, the average tuition for a private school was $3,116 in 1993-94. This contrasts with an average of $6,492 for public schools in the same year. The higher cost of the public schools is somewhat exaggerated by this comparison because most private schools are elementary schools and because public schools must pay for special and vocational education as well as comply with various rules from which private schools are exempt. (See Table 3 for further comparisons of the two sectors.)

The question of whether private or public schools provide the better education has long been debated, and has been addressed by numerous studies with no consistent results. Simple comparisons of public and private school students generally find that the latter outperform the former but this may be because private schools are selective institutions.

One particularly influential study of high schools, conducted by Coleman et al in 1982, found that students in private schools had higher aspirations and higher levels of achievement than those in public schools, even after adjusting for differences in family background. The difference in average achievement was about one grade level. The authors of the study attribute the stronger performance of private schools to the fact that they are more likely to be academically demanding (e.g., have better attendance, more homework, and more rigorous courses) and to provide more orderly and disciplined environments. They note that where these conditions are present in public schools, those schools perform equally well, and that the differences between schools (and even more so between students in the same school) are much larger than any sectoral differences.

Another conclusion from the Coleman study is that the availability of private schools has neither increased nor decreased racial segregation. On the one hand, the public sector has a higher proportion of minorities than the private sector. On the other hand, *individual* private schools typically have student bodies that are more integrated, both economically and racially, than the public sector. These two opposing factors more or less offset one another.[51] A similar conclusion is reached by Jay Greene who finds both more classroom integration and greater racial tolerance in private schools using data from a longitudinal study of students who were high school seniors in 1992.[52] However, the higher degree of integration found within the private school sector is probably related to the relatively small number of minorities enrolled in these schools. Any attempt to open private schools more broadly might be met with stronger resistance to integration on the part of white parents and to a higher degree of racial segregation than now exists.

Critics of the Coleman study have noted that it may not have controlled adequately for the tendency of more able, or more motivated, students to attend private schools. Numerous subsequent attempts to correct this flaw (using instrumental variables and value added models) have produced inconsistent results and have not resolved the issue to anyone's satisfaction. As one recent study that has reviewed this literature concludes, "consistent estimates cannot be produced using the available data at this time."[53] Given the enormous heterogeneity that exists *within* each sector, overall comparisons may not even be particularly meaningful. A more interesting question is what happens when children from a particular school district are given a

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[51]Coleman et al. (1982), p. 182-183.

[52]Greene (1998).

[53]Ludwig (1996), p. 26

wider choice of schools to attend. To answer this question, we turn now to recent experiments with school choice that have been designed to answer this question.

B. Evidence from Existing Experiments

On-going experiments with school choice are producing two kinds of data relevant to assessing its effects. Data on parental satisfaction suggest that low-income families are extremely pleased with their new private schools. Data on whether children are actually achieving more in these schools are mixed.

Parental Satisfaction. Voucher programs are typically oversubscribed, suggesting considerable dissatisfaction with the available public schools and a strong latent demand for more parental choice.[54] Not only are the programs oversubscribed but four different studies have found that parents are typically much more satisfied with the private schools participating in these plans than they are with the existing public schools. They are pleased with what their children are learning, with school discipline, and with opportunities for parental involvement.[55] Perhaps because of their enthusiasm, parents are also less likely to transfer their children to another school with the result that mobility rates are lower than in the public schools.[56]

Test Scores. The longest running experiment, and thus the one for which the most data exists, is the publicly-funded school choice program in Milwaukee. Three different studies of the available data from this experiment have come to three different conclusions. One study, by Paul

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[54]In New York City, for example, there were over 20,000 applicants for 1,300 slots in the program that began in 1997 despite the fact that the scholarships were only $1,400, less than tuition at most parochial schools. Peterson (1998), p. 15.

[55]Peterson (1998), p. 17-18

[56]Op cit., p. 19-20

Peterson and his colleagues, finds that by the third and fourth year of the program, choice students had made sizeable gains relative to their public school counterparts in both reading and math.[57] Another study, by John Witte and colleagues, finds no differences between the two groups.[58] And a third study, by Cecilia Rouse, finds gains in math but not in reading.[59] There are several reasons for these differences, including how each research team selected its control or comparison group and how they chose to adjust for any remaining differences between students who took advantage of the voucher and those who remained in the Milwaukee public schools. After carefully reviewing these three studies, we conclude that each has advantages and disadvantages, and that it is simply not possible at the current time to render a clear verdict on the outcome of the experiment. (For additional details, see appendix Table A.) A similar debate seems to be underway about the effectiveness of vouchers in Cleveland. Early evaluations by Peterson's team found gains in math and reading scores for the scholarship students, but a study by Indiana University researchers shows no academic improvement due to the program.[60] Once again, controversies about the quality of the available test data, and the appropriate statistical techniques to use in analyzing it, exist.

What should one conclude from this debate? Much depends, in our view, on whether one believes that educational gaps between disadvantaged and other children normally grow or diminish over time. We think the evidence suggests the former -- that children from poor families

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[57]Greene, Peterson, and Du (1998) and Greene, Peterson, and Du (1996).

[58]Witte published findings every year for the first five years of the Milwaukee experiment, each in December, beginning in 1991. Witte (1997), and Witte (1995).

[59]Rouse (1998a) and Rouse (1998b).

[60]Greene, Howell, and Peterson (1998) and Metcalf et al. (1998).

fall further and further behind with additional years of schooling.[61] If this is the case, then the results from Milwaukee, and also from Cleveland, are modestly encouraging because they suggest some attenuation of this pattern among children attending private schools.[62] This interpretation is consistent with the findings of Coleman et al that Catholic high schools have had some success in narrowing achievement gaps by race and income. At the same time, the fact that the results from existing experiments are quite sensitive to various analytic and data choices suggests that they are not terribly robust and that the test score effects of offering a choice of schools to students are probably not very large, especially in comparison to differences in the effectiveness of existing schools within each sector. In fact, in a comparison of three different types of public schools in Milwaukee (regular, magnet, and enriched), Cecilia Rouse finds that the enriched schools -- which have supplemental funding and smaller class sizes than the regular public schools -- outperform choice schools in reading and are equivalent in math.[63]

Additional data from these and other experiments with vouchers should become available over the next few years, making somewhat firmer conclusions possible about the potential of vouchers to improve academic performance. Particularly notable in this context is a new experiment with vouchers in New York City where 1,200 students accepted scholarships in the fall of 1997 to attend private schools. Because the sponsors of this program are committed to

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[61]For some suggestive evidence on this point, see Peterson (1998), p. 12.

[62]It should also be emphasized that the Milwaukee experiment may not have been a fair test of a voucher plan since only a small proportion of all public school students were permitted to participate, religious schools were (up until recently) excluded, half the students in participating private schools had to be nonchoice students, families cannot supplement the scholarship of $4700, and many parents who might have applied for the publicly funded voucher took advantage of a parallel voucher program (PAVE) that was privately funded.

[63]Rouse (1998b).

learning more about its effectiveness, it has been designed to produce clearer answers on the possible academic benefits of choice.

C. The Effects of Competition on Public School Performance

One of the putative benefits of choice is its effects on existing public schools. Indeed, if choice were widely available, one might expect to see any differences between public and private schools disappear as competition forced each sector to adopt the best practices of the other.[64] Thus far, however, choice experiments have been far too small to provide any direct evidence on this issue.[65]

Less direct evidence comes from studies that have examined how public schools respond when they face greater competition from either other public schools or from existing private schools. To study this issue, Caroline Hoxby uses the fact that parents have a greater choice of schools in metropolitan areas with many independent school districts (e.g., Boston and Albany) than they do in areas with few or only one (e.g, Miami and Albuquerque). She finds that in cities where there is more choice among public schools 1) reading and math scores are higher, 2) per-pupil costs are lower, 3) segregation by race, income, and ethnicity is unaffected, 4) parents are more involved in the schools, and 5) the curriculum is more challenging and the environment more disciplined.[66] These effects are strongest in areas where schools face strong financial incentives to

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[64]Note that this expectation assumes parents have sufficient information about the effectiveness of different schools, and that financing arrangements provide the right fiscal incentives for schools to improve.

[65]One choice plan that has had some impact on at least one public school is philanthropist Virginia Gilder's offer of a scholarship to all of the students attending a poorly performing elementary school in Albany, New York. An even more extensive test is about to begin in the Edgewood district in San Antonio where every child is being offered a voucher in the fall of 1998 to attend the school of their choice.

[66]Hoxby (1998), Hoxby (1994a), Hoxby (1994b).

improve their performance because they rely heavily on property taxes (which are sensitive to housing values and thus to parental choice of district.)

Competition with existing public schools can come not only from other public schools but also from private schools. Hoxby makes use of the fact that the proportion of children enrolled in private schools is much larger in some areas (e.g., over 25 percent in Philadelphia, St. Louis, and New Orleans) than in others (e.g., less than 6 percent in Pine Bluff, Arkansas or Pueblo, Colorado) to examine the effects of competition from this sector on the performance of the public schools. She finds that competition from private schools also enhances achievement, educational attainment, and the wages of public school students. And again, it does not appear to affect the degree of sorting or segregation by race, ethnicity, income, or ability.[67]

Several other studies appear to be consistent, both with Hoxby's findings and with theoretical predictions from a choice model.[68] However, none of this research provides a very satisfactory test of the long-run effects of competition on public school performance, given its strong assumptions and the lack of an actual experiment with which to assess the theory.

Finally, it is worth distinguishing between effects on performance and effects on school productivity (performance per dollar spent). Theory suggests that competition should increase productivity and Hoxby's results suggest it does. However, what matters most to public officials

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[67]Ibid. Although Hoxby uses a number of ingenious methods to control for factors that may simultaneously affect the quality of public schools and the amount of competition from either the public or private sector, we cannot be certain that she has resolved all of the problems. Her methodology involves using topographical features as an instrument for predicting the number of school districts in a metropolitan area and the historic proportion of the population that is Catholic to predict private school enrollments. For further comments on this approach and its pitfalls, see Kane in Ladd (1996), p. 209-217.

[68]See, for example, Armor and Peiser (1998), Arum (1996), Zanzig (1997), U.S. Department of Education (1996).

is performance per dollar of *public* funding, and there are four reasons why this narrower definition of productivity might decrease under a choice plan. First, public dollars might substitute for what parents are now spending out of their own pockets for private school tuition and fees. Second, religious or philanthropic contributions to private schools might decline in the face of more public support for vouchers. Third, private schools might increase their tuition in response to greater demand. And finally, the budgets of public schools that lose students might not decline as their enrollments dropped, if political pressures shield them from fiscal competition or if they lose the economies of scale they currently enjoy. Offsetting these potential effects are two factors that work in the opposite direction. First, private schools cost less than public schools (mainly because they have less administrative overhead and pay lower salaries) and appear to be more efficient. Second, greater competition should force such economies in the public sector as well.

VI. Broader Implications for the Use of Vouchers to Achieve Public Purposes (Preliminary Thoughts)

The experience with school choice suggests a number of lessons that may inform the broader debate about whether vouchers are a good way of achieving public purposes:

1) First and foremost, the devil is in the details. Vouchers can be designed to accomplish almost any purpose. The debate about them has too often pitted those who believe in the efficacy of markets against those who believe in a stronger government role. But precisely because they are publicly financed, vouchers will always come with public strings attached. The question is how well the strings are designed to accomplish various purposes. The two voucher plans described in Section IV illustrate the possibilities.

2) Vouchers will not work unless consumers are adequately educated and informed about their

choices, and receive some feedback on how their children are doing. Education vouchers without some means of holding schools accountable for results and making information about those results available to parents could lead to inappropriate use of public funds.

3) Provider groups (e.g., teacher unions) are likely to oppose vouchers because they may produce competition and erode job security or the wage premium associated with working in a protected market. This political opposition may lead to program rules that are suboptimal and undermine the effectiveness of the program. (Alum Rock is a case in point as is Milwaukee to a lesser extent.)

4) Where there is an existing private market for a good (e.g., private schools), publicly provided vouchers may replace private expenditures (fiscal substitution), and increase government costs in the process. Offsetting this are possible savings of public funds if the private sector provides the same product at lower cost. The net effect is not clear at the present time, and is likely to depend on the design of the voucher (for example, whether it is targeted just on low-income parents).

5) There is no guarantee that supply will respond to the increased demand induced by vouchers. There is little evidence to date on this question from experiments with school vouchers because these experiments have been too small to have much effect on the supply of schools.

6) Vouchers permit a greater diversity of suppliers of education. Whether this is a plus or a minus depends on whether one believes education should be a standardized product (an experience which all children share in common) or whether it should be tailored to the specific needs and preferences of different groups. The public appears to hold ambivalent, if not inconsistent, views on this issue, and there is probably a middle ground between rampant multiculturalism on the one hand and a regimented curriculum on the other.

7) Targeting vouchers on low-income groups has several advantages, including reducing the

likelihood of fiscal substitution, limiting pressures on supply, and giving disadvantaged groups access to higher quality services than they could otherwise afford. Offsetting this is the fact that this group may lack the information and ability to take advantage of such opportunities, and that in the absence of more sophisticated and powerful consumers, the market may not produce a very good product. What evidence we have suggests that means-tested vouchers need not increase public costs, that many low-income parents are eager participants in voucher programs and have exercised this option enthusiastically. Whether the education their children receive is of higher quality as a result remains somewhat unclear, but the results to date are modestly encouraging.

8) Because both buyers and sellers in private markets can discriminate, via price or other means, vouchers may lead to a *greater* segmenting of recipients by race, ethnicity, income, or ability. Although we have not found definitive evidence that school choice will produce this, it remains a serious concern. But the standard for comparison needs to be the high degree of segregation that already exists within the existing public school system not some nonexistent ideal.

9) When consumers are given a choice, they express greater satisfaction with the product chosen and become more involved in its use. There is quite clear evidence of this from several school choice experiments.

10) Public institutions may improve under the spur of competition from the private sector. At the same time, they may lose some of their best customers. Applied to vouchers, the concern has been that they would drain away good students and involved parents from the public schools, thereby reducing the ability of those schools to educate the students that remain. Our reading of the evidence from the education field is that the positive effect of competition dominates the negative effect of a depleted public sector, but we readily admit that others may read the same tea leaves

differently.

11) Vouchers may be a good vehicle for restructuring the financing of a public good. Currently, education is funded by a mix of federal, state, and local funds with the result that spending per child varies enormously from district to district. Greater federal or state involvement in the funding of vouchers could even out some of these disparities, replace categorical programs at the federal level, and still compensate schools for the extra burdens involved in educating some groups of children.

Table 1: Characteristics of Big-City School Choice Programs for Low-Income Families

City	*Sponsor*	*Religious Schools Included*	*Grades*	*First School Year*	*Initial Enrollment*	*1996-97 Enrollment*	*Number of Schools 1996-97*	*Maximum Payment 1997-98 (dollars)*	*Selection Method*
Milwaukee	State of Wisconsin	No	PreK-12	1990-91	341	1,606	20	4,700	Lottery
Indianapolis	ECCT[a]	Yes	1-8	1991-92	746	1,014	70	800	First-come
Milwaukee	PAVE[b]	Yes	K-12	1992-93	2,089	4,465	97	1,000 /ele. 1,500/high	First-come
San Antonio	CEO[c]	Yes	1-8	1992-93	930	995	49	One-half tuition	First-come
Cleveland	State of Ohio	Yes	K-3	1996-97	1,996	1,996	55	2,500	Lottery
New York City	SCSF[d]	Yes	1-5	1997-98	1,200	1,200[e]	250	1,400	Lottery
Washington DC	WSF[f]	Yes	K-12	1998-99	1,600	---	n.a.	1,700	Lottery
Dayton	PACE[g]	Yes	K-12	1998-99	650	---	n.a.	1,200	Lottery
San Antonio	CEO/ Horizon[i]	Yes	K-12	1998-99	Over 1000	---	n.a.	3,600/ele. 4,000/high	Unlimited

n.a. Not available.
a. Educational Choice Charitable Trust.
b. Partners Advancing Values in Education.
c. Children's Educational Opportunity.
d. School Choice Scholarships Foundation.
e. 1997-98 enrollment.
f. Washington Scholarship Fund.
g. Parents Advancing Choice in Education.
h. Children's Educational Opportunity/Horizon

SOURCE: Adapted from Peterson (1998), p. 14 and Peterson (forthcoming).

Table 2: The Devil is in the Details: Potential Design Elements in a School Choice Plan

Student Eligibility	Universal	Means-tested
Average Subsidy Level	Low (= some fraction of per pupil spending in public schools)	High (= current per pupil spending)
Variation in Subsidy Level: a). by school district b). with student need c). with student performance	 * linked to current per pupil spending in district * no variation * extra subsidy tied to achievement gains/ no social promotion	 * linked to per pupil spending in state or nation * varies with family income or educational need * no variation
School Eligibility: a). religious included? b). accreditation process/ regulatory framework c). accountability for results	 * yes *less prescriptive, similar to independent schools * no standards/ let market determine outcomes	 * no *more prescriptive, similar to current charter schools * standards, with loss of accreditation if fail to improve/achieve
Admissions	schools select students from applicant pool (subject only to current civil rights laws)	students admitted by lottery from applicant pool to fill available spaces
Counseling/ Information	no special effort to provide it, parents will inform themselves	parents provided with information on how schools rank against national or state standards, individual counseling also available
Transportation	not subsidized	subsidized

Table 3: PUBLIC VS. PRIVATE SCHOOLS, 1993-94

	PUBLIC	PRIVATE			
		All private	Catholic	Other religious	Non-Sectarian
Number of schools	80,740	26,093	8,351	12,180	5,563
Percent of all schools	75.6	24.4	7.8	11.4	5.2
Percent of all private schools			32.0	46.7	21.3
Enrollment	41,621,660	4,970,548	2,516,028	1,686,069	768,451
Percent of all enrollment	89.3	10.7	5.4	3.6	1.7
Percent of all private school enrollment			50.6	33.9	15.5
Average spending/tuition[a]	$6,492[b]	$3,116	$2,178	$2,915	$6,631
Average elementary spending/ tuition[a]	n.a.	$2,138	$1,628	$2,606	$4,693
Average secondary spending/tuition[a]	n.a.	$4,578	$3,643	$5,261	$9,525
Average teacher salary					
Bachelor's and no experience	$21,923	$16,239	$16,603	$15,232	$18,054
Highest step on salary schedule	$40,517	$27,274	$28,719	$24,247	$31,594
Average base salary of teachers[c]	$34,149	$21,897	$21,603	$19,970	$25,442
Percent of teachers with a master's degree	42.0	29.8	29.7	25.8	36.4
Student/teacher ratio	17.3	15.0	19.0	14.0	9.8
Teacher experience					
Less than 3 years	9.6	20.2	17.4	23.9	19.7
More than 20 years	29.5	12.8	16.6	9.3	11.5
Percent of schools offering:					
Programs for the handicapped	89.2	24.8	25.7	16.4	24.0[d]
Gifted programs	70.7	24.9	28.2	22.8	15.0
Vocational programs	12.4	3.6	1.3	4.1	5.9
Remedial reading	80.9	52.8	70.9	42.7	47.7
Remedial math	60.9	40.4	54.0	31.7	39.1
English as a second language	42.7	11.3	12.4	9.5	13.7
Average graduation rate	93	98	99	98	96
Average college application rate	57	88	91	82	84

n.a. not available

a. Private school tuition listed here is the average tuition paid by students for attendance and does not necessarily equal total spending on behalf of each student. Public school spending and private school tuition, therefore, may not be comparable figures of the cost of educating a student.

b. This figure is the total expenditure per pupil in the public schools, equal to day-to-day operating costs of schools plus expenditures for construction, equipment, debt financing, and non-prekindergarten through grade 12 programs such as adult education. Current expenditures, which reflect only the day-to-day operating costs of schools, were $5767 per pupil in 1993-94.

c. Base salary does not include supplementary salaries which some schools offer teachers during the summer; it is reflective of 10 months only.

d. Excludes special education private schools, which all include programs for the handicapped.

SOURCE: Bobbitt, Broughman, and Gruber (1995), and US Department of Education (1997), p. 72 and 172 for spending and tuition data.

Appendix Table A-- Milwaukee and Cleveland Effectiveness Assessment Summaries

Study	*Choice experiment*	*Experimental sample*	*Control Group*	*Method of controlling for background and ability*	*Findings*	*Issues*
Witte[1]	Milwaukee Parental Choice Program 1991-95	choice students	random sample of MPS students	statistical controls including prior test score	no significant difference in math or reading between choice and MPS students	statistical controls may not fully adjust for unobserved differences between two groups
Greene, Peterson, and Du[2]	Milwaukee Parental Choice Program, 1991-95	choice students	non-selected choice applicants who remained in MPS	reliance on experimental data (with controls for fact that lottery was school-specific)	scores 3-5 and 5-12 percentage points higher in reading and math, respectively in 3rd and 4th year of program	small sample (40 by year 4) and possible non-random attrition from both experimental and control group (about half of rejects left the MPS-- no test data available for them)
Rouse[3]	Milwaukee Parental Choice Program, 1991-95	choice students	1. random sample of MPS students 2. non-selected choice applicants who remained in MPS	individual fixed effects model that compares students to own projected scores over time if they had remained in public schools	scores 1.5-2 percentage points higher in math, no difference in reading scores	two groups of students assumed to have same test scores trajectories (no catch up or falling behind for disadvantaged in absence of program)
Greene, Howell, and Peterson[4]	Cleveland Scholarship Program, 1996-97	choice students enrolled in the two new schools established for the program	each students' own test score at the beginning of the school year	method unclear; appears to be based on individual gains (fall to fall) compared to Milwaukee (?) low-income scholarship applicants and to typical inner-city students	5 and 15 percentile point increase in reading and math, respectively, 5 percentile point decrease in language	very preliminary findings based on limited data
Indiana University[5]	Cleveland Scholarship Program, 1996-97	third grade choice students	Cleveland public school students	statistical controls including prior test scores	no significant difference between choice and public school students in 5 subject area tests after background characteristics accounted for	very preliminary findings based on limited data

1. Witte, Sterr, and Thorn (1995) and Witte (1997).
2. Greene, Peterson, and Du (1998).
3. Rouse (1998).
4. Greene, Howell, and Peterson (1998).
5. Metcalf et al. (1998).

Appendix B-- Examples of Privately Funded Voucher Programs

The Educational Choice Charitable Trust, Established by Indianapolis businessman J. Patrick Rooney in 1991 to provide half-tuition scholarships of up to $800 to low-income families, was the first such program. In 1996, over 1,000 students attended 70 different private schools (including religious schools) thanks to the program.[69]

Several San Antonio business leaders, inspired by Rooney, developed the Children's Educational Opportunity Foundation of San Antonio (CEO San Antonio), a voucher program similar to the one in Indianapolis, in 1992. Two years later, they expanded the organization (renamed CEO America) to provide information, support services, and financial assistance to existing voucher programs and to groups who want to start programs nationwide.[70] Recently, he groups established CEO Horizon, a project which provides vouchers of up to $4,000 a year for ten years to every student who applies in San Antonio's largely poor and Hispanic Edgewood school district.[71] It also sponsors thirty voucher experiments, most of which began independently, including the well-known Parents Advancing Values in Education (PAVE) program in Milwaukee (the privately funded counterpart to the publicly funded program described above) and the Giffen Elementary School program in Albany, NY. Most CEO America sponsored programs offer only partial scholarships, but reached over 10,000 students in 1996-97.[72]

In 1996, philanthropists in New York City established the School Choice Scholarships Foundation to provide low-income students in kindergarten through grade four with half-tuition scholarships of up to $1,400. This experiment, designed to facilitate evaluation, selects students randomly from the eligible pool and maintains a control group so that achievement changes can be scientifically studied.[73]

The Thomas B. Fordham Foundation initiated a voucher program in Dayton, Ohio beginning in the fall of 1998. The vouchers cover two-thirds of private school tuition for up to 650 children.[74] Another new program, the Washington Scholarship Fund, was established by philanthropists Ted Forstmann and John Walton in late 1997, and provides $1,700 scholarships to low-income students in Washington, DC.[75]

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[69]Walsh (1996).

[70]Cordell (1998).

[71]Cropper (1998) and Steiger (1998).

[72]"Voucher programs sponsored by CEO America" located at www.ceoamerica.org/programs.html, accessed on 8/3/98.

[73]Peterson, Myers, and Howell (1997).

[74]"Putting Private Effort to the Test" (1998).

[75]"Private School Scholarship Fund Gets $6 Million" (1997).

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